

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – JANUARY 13, 2005

PRESENT: Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; Craig Bulkley, Bureau Chief of Administrative Services; John Bunnell, Administrator of Marketing & Sales; Peter Engel, Director of Store Operations; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer; Paul Kinney, Technical Support Specialist IV. **Guests:** Al Picconi, United Beverages, Inc.; Brian Law, Law Warehouse.

EXCUSED: Howard Roundy, Director of Information Technology; Richard Gerrish, Spirits Marketing Specialist; Evie Taft, Human Resources Administrator.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending January 9, 2005 shows retail sales were down -2.4%, on-premise sales were down almost -7.2%, on-premise sales were down about -6.2%, and total aggregate sales were down a little over -4%. The traffic count decreased by 5,795, but the average sales ticket was up by \$.63.

The W-1 Total Weekly Sales report for the same week confirms total sales decreased by -4% or (\$219,525) for the week, but increased for the year by 5.9% or \$12,652,699. Wine sales for the week were down around -4.5% or (\$123,700), and were up by almost 6.5% or \$6,401,766 for the year. Sales of spirits also decreased 3.6% or (\$95,825) compared to the same week last year; however, they increased 5.4% or \$6,250,933 year-to-date.

There was nothing of significance to report regarding depletions and/or post-offs or gift card sales over the past week.

B. Budget/Administrative Reports:

The Governor and Council approved the disbursement of funds to employees at the store which sold the recent Tri-State Lotto winning ticket.

The Commerce Committee will meet on January 18th on House Bill 63 regarding bringing in product through Portsmouth. Chairman Maiola said he would attend this meeting. Otherwise, there are no additional LSRs which are being converted into bills at this time, and the Commission has received no requests for fiscal notes.

The current W-6 Expense Budget Activity Variance Report shows the year to be at about 53.4% expired, with around 52% of the budget expended. There are some negative figures, but many accounts are down at this time of the year. Sales are up 6%, while expenses are only up 1.9%. George is working on transfer requests for next month for accounts which are running low.

Paperwork has been received from the NABCA concerning a grant for Enforcement which will be sent to Governor and Council for their February 9th meeting.

The current use tax issue regarding the new Keene store has been resolved; George will distribute this information to the Commission.

2. IT Report

In his absence, Howard asked Craig to address the e-mails sent out last week concerning the latest virus. Howard is concerned about how the virus, which caused a great deal of interruption, got in. He feels an attempt should be made to minimize future attacks by removing extra software people put on their machines. A standing policy was approved in 1998 and some revisions made in 2003 regarding this. Paul Kinney said there was no guarantee that removing the software would prevent future viruses, but they can come in through web sites which are not business related. In addition, some employees are bringing in floppy disks from home which can cause an infection here. Paul said this particular virus was created on December 31st, was received by the Commission on the following Monday, and had already infected the Commission's system by Tuesday. SPAM prevention is being implemented right now, and can be physically used next week.

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve four of the three recommendations from Howard Roundy, Director of Information Technology, to be included in a new policy designed to help prevent the infiltration of future viruses: 1) not to allow any ad-ons to Outlook or Internet Explorer unless approved and installed by IT; 2) not to allow stationery in Outlook; and 3) to implement SPAM prevention. The recommendation regarding the use of computers for state business only will be reviewed further. The motion was unanimously adopted.

John Bunnell said that he understood that equipment at Store #76 Hampton will be used to back up the system here. Craig said a system is being developed to transfer data from headquarters to that location. Some experimenting will be done to determine if the transfers will be successful. The equipment at Hampton will continue to be stored in the hallway.

3. Human Resources Report: No report given.

II. MARKETING & SALES REPORTS

1. Store Operations

Total store sales for the week ending 1/9/05 were down -3.99% or (\$148,898.20), which is indicative of the bad weather that occurred.

Peter gave updates on several store projects. The owner of the Northwood property will be contacted now, as the builder failed to get the necessary finances for the project. The property manager for the Gilford location said the owner does not see the benefit of having a liquor store there. Wal-Mart is not leaving the plaza, and a new Loews home improvement store will be locating there. The principal parties at the potential Center Harbor location are very interested in having the Commission as tenants. A February opening is anticipated for the new Swanzey location.

Around a dozen applications have been received for the Maintenance Engineer position which is being vacated by Tom Smith, and are currently being reviewed.

There will be a Supervisors' Meeting at headquarters on Tuesday, January 25th from 11:00 a.m. to 2:00 p.m.

There will be no meeting this week regarding the Keene location. Commissioner Russell reported that the surcharge has been received and that the footings are now in. She said any bills received from the City of Keene should be forwarded directly to the Attorney General's office.

2. Purchasing Report

Concord warehouse inventory is substantially lower than last year at the same time. Jack Daniels 750ML has now been received. Grey Goose Vodka should be arriving Tuesday or Wednesday.

3. Merchandising Report

A. SPIRITS:

1) Spirit Gross Profit Review:

a. 111 items:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve recommendations from

Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales, regarding one hundred and eleven (111) spirit items that are currently in full distribution and have fallen below their respective annual gross profit minimums. The motion was unanimously adopted.

b. 277 items:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve recommendations from Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales, regarding two hundred and seventy-seven (277) spirit items that are currently in specialty status and have fallen below their respective annual gross profit minimums. The motion was unanimously adopted.

2) Test Market Results (Codes #8148, #3173, #4215, #5313, #928, #5175, #3667, #5340 and #8160):

It was moved by Commissioner Byrne seconded by Commissioner Russell, that the Commission approve specialty status for Code #8148, Chinaco Blanco Tequila, 750ML; Code #3173, Citadelle Vodka, 750ML; Code #4215, Plantation Grand Reserve Rum, 750ML; Code #5313, Sauza RTD Margarita, 1.75L, Code #928, Hangar One Buddha's Hand Vodka, 750ML, Code #5175, Destinee Ruby, 750ML; and Code #3667, Boru Irish Vodka, 1.75L, as these products each exceeded their respective gross profits required for specialty item consideration at the conclusion of a six-month test market period, and delist Code #5340, Desert Island Iced Tea, 1.75L and Code #8160, Arrow Melon, 750ML, each of which failed to achieve both their respective gross profits required for full distribution and specialty item consideration at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Holiday Pack Mark Down:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve mark downs on six (6) holiday packages which did not sell during the 2004 holiday season, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales, but table action on four (4) other packages pending receipt of exit money from the brokers. The motion was unanimously adopted.

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- 4) Special Offers for March 2005 (7 items unmatched – M.S. Walker):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, Inc., based upon depletions of seven (7) spirit items, without matching state funds, to be featured on sale during March 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

- 1) Special Offers for March 2005:

- a. 1 item – Charles Saunders:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a special offer from Charles Saunders, based upon depletions of one (1) wine item, to be featured on sale during March 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 38 items – Pine State Trading Co./E&J Gallo Winery:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company/E&J Gallo Winery, based upon depletions and/or special purchase allowances for thirty-eight (38) wine items, to be featured on sale during March 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 2) Recommended Allocated Wines for Distribution to Selected Stores (22 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve twenty-two (22) allocated wines for distribution to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 3) “R” Wines for Allocation to Licensees Selected by the Broker (1 item):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve one (1) restricted wine for allocation to

the broker and retail distribution, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 4) Primary Source Submissions (3 items – primary source; 2 items – exclusive agent; 5 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of three (3) wine codes which are from primary source, two (2) wine codes which are not from primary source, but are offered by the exclusive marketing agent, and five (5) wine codes which are not from primary source, but are imported, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORT - None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated January 6 through January 13, 2005. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items/Other:

- a. Removal & addition of 16 SKU's for the Top 1200 Wine Codes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approval the removal and addition of sixteen (16) SKU's for the Top 1200 wine codes, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. LOTS Training Initiative:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission continue LOTS training at the Bureau of Enforcement with the two store employees presently holding those positions, as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

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Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford